

Message Text

UNCLASSIFIED

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ACTION AID-31

INFO OCT-01 NEA-10 ISO-00 EB-08 IGA-02 COME-00 SP-02

HA-05 AGRE-00 L-03 /062 W

-----008995 131936Z /44

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 4238

UNCLAS SECTION 01 OF 02 CAIRO 01446

DEPT PASS AID

E.O. 11652: N/A

SUBJECT: CONTINUED GOE INTEREST IN AUTOMATIC BAKERIES

REFERENCE: CAIRO 00101

1. USAID IS WORKING WITH MINISTRY OF SUPPLY STAFF TO OBTAIN ADDITIONAL DETAILED INFORMATION IN ORDER TO GIVE YOU ADDITIONAL JUSTIFICATION ON AUTOMATIC BAKERIES. IN THE MEANTIME WE HAVE RECEIVED A FURTHER LETTER FROM MINISTER OF SUPPLY TEWFIK IN WHICH HE URGES RECONSIDERATION OF THE APPARENT DECISION NOT TO PROCEED ON FINANCING OF AUTOMATIC BAKERIES. THE TEXT OF TEWFIK'S LETTER, ADDRESSED TO THE AMBASSADOR, FOLLOWS.

2. QUOTE YOUR EXCELLENCY: I HAVE BEEN INFORMED BY OUR EMBASSY IN WASHINGTON THAT THE AGENCY FOR INTERNATIONAL DEVELOPMENT HAS SUSPENDED THE FINANCING FOR THE SUPPLY OF THE AUTOMATIC BAKERIES THROUGH THE USAID LOAN 263-K-038.

THE REASON GIVEN FOR THIS, IS THAT THE FEASIBILITY STUDY UNDERTAKEN SHOWED THE NON-PROFITABILITY OF THAT PROJECT AND ITS ADVERSE EFFECTS ON EMPLOYMENT IN SUCH INDUSTRY. IN THIS CONNECTION, I WOULD LIKE TO BRING TO YOUR EXCELLENCY'S ATTENTION THE FOLLOWING OBSERVATIONS:
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1. THE TOTAL PRODUCTION OF BAKERIES BELONGING TO THE PUBLIC SECTOR DOES NOT EXCEED 10 PERCENT OF CAIRO'S BREAD PRODUCTION AND 8 PERCENT IN ALEXANDRIA.

2. THE CURRENTLY EXISTING PRIVATE BAKERIES DO NOT HAVE THE APPROPRIATE MEANS TO IMPROVE OR MODIFY THE PRESENT

QUALITY OF PRODUCTION.

SOME OF THEM ARE TRYING TO STOP PRODUCTION, UNLESS THIS IS AGAINST REGULATIONS.

3. AT PRESENT THERE IS A COMMON FEATURE PREVAILING IN ALL SECTORS, (SUCH AS THE COTTON GINNING, AGRICULTURE AND HANDICRAFT SECTORS) WHICH SHOWS A SHORTAGE OF MAN POWER DUE TO IMMIGRATION AND COMPULSORY EDUCATION.

THIS TREND HAS LED TO CONSIDERABLE INCREASE IN WAGES AND CONSTITUTES THE MAIN PROBLEM IN THE PRODUCTION OF BREAD.

4. THE NEW BAKERIES WILL COVER THE INCREASE OF CONSUMPTION DUE TO THE GROWTH OF THE POPULATION.

5. CONSIDERING THE ABOVE STATED CIRCUMSTANCES, IT HAS BEEN ESTIMATED AFTER LONG YEARS OF STUDIES THAT THE INTRODUCTION OF MECHANIZATION IS THE ONLY SOLUTION TO MEET THIS PROBLEM WHICH HAS BECOME ACUTE YEAR AFTER YEAR.

A RECENT REPORT FROM THE CAIRO CHAMBER OF COMMERCE SHOWED THAT MOST OF THE BAKERIES ARE VIOLATING BREAD SPECIFICATIONS IN ORDER TO OVERCOME THE DIFFICULTIES THEY ENCOUNTER IN OPERATING IN THIS INDUSTRY, BESIDE DECREASING UNCLASSIFIED

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THE DAILY RATE OF PRODUCTION.

FURTHER MORE, EGYPTIAN BIG CITIES ARE MENACED BY A SHORTAGE OF BREAD, AND THIS AS YOUR EXCELLENCY MIGHT JUDGE CONSTITUTES A VERY SERIOUS POLITICAL PROBLEM.

6. WE CONSIDER THE POLITICAL AND SOCIAL RESULTS OF THE SUPPLY OF BREAD FOR OUR PEOPLE TO BE MORE IMPORTANT THAN THE ECONOMIC FACTORS. NEVERTHELESS, WE HAVE UNDER-TAKEN THE NECESSARY FEASIBILITY STUDY WHICH PROVED THE PROFITABILITY OF THE PROJECT.

7. DURING THE "PEOPLE'S CONFERENCES" HELD IN THE DIFFERENT GOVERNORATES OF OUR REPUBLIC, THE RESPONSIBLE PEOPLE REPEAAEDLY DEMANDED THE MECHANIZATION OF THE BREAD INDUSTRY DUE TO THE INSUFFICIENCY OF MANPOWER.

IN THE COURSE OF THESE CONFERENCES AND AT ALL LEVELS, THE EGYPTIAN PEOPLE HAVE BEEN INFORMED OF THE USA READINES TO PARTICIPATE IN SOLVING THE PROBLEM OF BREAD BY SPREADIN AUTOMATIC BAKERIES ALL OVER THE COUNTRY WITHIN THE FRAME-WORK OF THE AMERICAN LOAN 263-K-038 AND SUBSEQUENT LOANS.

CONSEQUENTLY, THE SUSPENSION OF FINANCING OF THESE BAKERIES WILL BE A GREAT DISAPPOINTMENT TO THE EGYPTIAN PEOPLE.

HAVING ALWAYS ENJOYED YOUR CONTINUOUS SUPPORT IN ALL MATTERS, I WOULD THEREFORE APPRECIATE YOUR INTERVENTION TO OBTAIN THE APPROVAL OF YOUR GOVERNMENT NOT ONLY FOR THE FINANCING OF THE ABOVE-MENTIONED AUTOMATIC BAKERIES WITHIN THE FRAMEWORK OF THE AMERICAN LOAN 263-K-038, BUT ALSO FOR OUR SCHEDULED FIVE-YEAR PLAN TO COVERT ALL BAKERIES IN THE COUNTRY TO AUTOMATIC ONES.

HOPING TO RECEIVE A FAVORABLE REPLY TO MY REQUEST,
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DEPT PASS AID

AND LOOKING FORWARD TO HEAR FROM YOU SOON.

I REMAIN, YOUR EXCELLENCY, YOURS SINCERELY,
ZAKARIA TEWFIK ABDEL FATTAH, MINISTER OF COMMERCE AND
SUPPLY. UNQUOTE EILTS

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